

Message Text

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15

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 AGR-20

ABF-01 FSE-00 /190 W

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R 160745Z AUG 74

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 2654

INFO USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION OECD PARIS

UNCLAS STOCKHOLM 3560

E.O. 11652: N/A

TAGS: EFIN, SW

SUBJECT: SWEDEN RAISES DISCOUNT RATE TO SEVEN PERCENT

REF: STOCKHOLM 2208

1. BOARD OF GOVERNORS OF CENTRAL BANK OF SWEDEN ANNOUNCED
AUGUST 15 DECISION TO RAISE OFFICIAL DISCOUNT RATE FROM SIX TO
SEVEN PERCENT EFFECTIVE AUGUST 16.

2. REASON GIVEN FOR MOVE WAS CONTINUED OUTFLOW OF FOREIGN
EXCHANGE RESERVES, PROMPTED BY DIFFERENTIAL BETWEEN DOMESTIC
AND FOREIGN RATES. DESPITE PREVIOUS RATE HIKE IN EARLY APRIL
FROM FIVE TO SIX PERCENT, RESERVES HAVE CONTINUED TO
DECLINE SLOWLY.

3. COMMENT: COMMERCIAL BANKS HAVE BEEN EXPECTING INCREASE
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FOR SOME TIME. HIGHER DISCOUNT RATE WILL REDUCE BUT NOT
CLOSE GAP BETWEEN DOMESTIC AND FOREIGN LENDING RATES.

RIKSBANK SOURCE TOLD EMBOFF THAT COMPARATIVELY LOW RATE
STRUCTURE WILL CONTINUE TO PREVAIL IN SWEDEN UNTIL SUCH TIME
AS GOVERNMENT MOVES TO SUBSIDIZE HOUSING CONSTRUCTION CREDITS.
SOURCE INDICATED THAT GOS HAS REACHED NO DECISION ON THIS
POINT YET, BUT THAT BILL FOR THIS PURPOSE COULD BE INTO-
DUCED INTO RIKSDAG THIS FALL; ITS ENACTMENT WOULD PERMIT
FURTHER RISE IN COST OF NON-HOUSING CREDITS.

4. RATE INCREASE SHOULD BE UNDERSTOOD ALSO IN CONTEXT OF ANNOUNCEMENT
BY CENTRAL STATISTICAL BUREAU THAT PRELIMINARY DATA SHOW THAT SWEDEN
HAD TRADE SURPLUS OF ONLY SKR 150 MILLION (ABOUT \$34 MILLION) AT END
OF FIRST HALF CY 1974, COMPARED TO SKR 3,750 MILLION AT SAME TIME
LAST YEAR. STRAUZ-HUPE

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